



Consolidated sales increased significantly in the second quarter of 1972 and net earnings were better than in the same period last year, in spite of higher depreciation, interest, labour and raw material costs. The increase in earnings resulted largely from production and shipment of additional rolled steel products attributable to operation of the 166" Plate Mill and to some extent to "hedge" buying against the possibility of a shutdown resulting from labour negotiations. Net earnings in the first half of the year increased approximately 12 per cent over the same period last year.

The expansion program is on schedule and No. 2 Basic Oxygen Steel Plant is expected to start operation about the end of the first quarter of 1973. Work is progressing satisfactorily on the Maple Meadow low volatile coal mine in West Virginia and the Tilden iron ore mine in Michigan.

Labour contracts at all Canadian Divisions, except the Tube Division, expire July 31, 1972 and new contracts are being negotiated.

During August and September, a large blast furnace (No. 6) will be relined and in September the old 44" Mill stand, which was the source of trouble in the spring of 1971, will be replaced with a new 45" stand. The timing of these projects is based on an expected slackening in demand for hot and cold rolled sheet and strip after the end of July with customers liquidating inventories accumulated earlier in the year. Operations in the third quarter of 1972 will therefore be at a lower level.

It is anticipated that markets for steel products will strengthen and that operations will be near capacity during the fourth quarter.

D. S. HOLBROOK
CHAIRMAN and PRESIDENT

Sault Ste. Marie, Ontario
July 27, 1972.

QUARTERLY REPORT TO SHAREHOLDERS

for the period ended
June 30, 1972

THE ALGOMA STEEL
CORPORATION, LIMITED

QUARTERLY REPORT

for the period ended June 30, 1972

To the Shareholders of The Algoma Steel Corporation, Limited:

The following is a summary of consolidated unaudited results for the second quarter and the first half of 1972 with figures for comparable periods in 1971 and details of the source and application of funds for the first six months of each year:

	Three Months Ended June 30		Six Months Ended June 30	
	1972	1971	1972	1971
	(dollars and tons in thousands except per share data)			
PRODUCTION AND EARNINGS				
Raw steel production net tons	621	635	1,228	1,201
Net sales	\$ 80,991	69,655	\$ 154,766	135,090
Depreciation and amortization	\$ 5,305	4,793	\$ 10,500	9,407
Earnings before income taxes and recoveries of doubtful accounts receivable	\$ 4,392	3,588	\$ 6,455	5,824
Recoveries of doubtful accounts receivable ..	\$ —	1,274	\$ 1,332	1,274
Earnings before income taxes	\$ 4,392	4,862	\$ 7,787	7,098
Income taxes	\$ 405	1,052	\$ 905	998
Net earnings excluding recoveries of doubtful accounts receivable	\$ 3,987	3,218	\$ 6,196	5,508
Net earnings	\$ 3,987	3,810	\$ 6,882	6,100
Net earnings per share	\$.34	.33	\$.59	.53
Recoveries of doubtful accounts receivable included in				
Net earnings	\$ —	592	\$ 686	592
Net earnings per share	\$ —	.05	\$.06	.05
SOURCE AND APPLICATION OF FUNDS				
FUNDS WERE PROVIDED BY				
Current operations			\$ 18,301	\$ 16,505
Sale of series D debentures			—	34,000
Other - net			(2,891)	(1,288)
			15,410	49,217
FUNDS WERE APPLIED TO				
Plant and equipment additions and mine development			23,327	16,455
Purchase of debentures			235	300
Payment of dividends			2,898	2,902
			26,460	19,657
WORKING CAPITAL				
Increase (decrease) during six months			(11,050)	29,560
At beginning of year			84,236	45,511
At end of June			\$ 73,186	\$ 75,071

Figures are unaudited and include estimates subject to adjustment when results for the full year are determined and audited.